

**➤ TOOL # 3C: CHECKLIST FOR DECIDING
OWNERSHIP OF CAPITAL ASSETS**

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Overview

The objective of this tool is to decide whether the private contractor or the ULB should incur the capital expenditure as part of the proposed project. It considers two key types of capital investment:

- a. Purchase of suction units
- b. Construction of treatment plans

How to use this tool

- This tool considers 2 key questions:
 1. Is the private contractor willing to make the capital investment?
 - a. If 'Yes', is the capital investment financially viable for the contractor?
 - b. If 'No', can ULB support them to make the investment through financial or contractual support?
 2. Can the ULB afford to make the capital investment?
- For each of the decision questions above, the checklist provides a list of questions that the ULB must consider in order to make the decision
- **Inputs:** To answer the questions described above, and detailed in this checklist, ULBs must consider the following sources for inputs:
 1. **ULB / Town Sanitation Budget:** The City/ Town's budget and financial reports (both current and past) will help identify sources such as surpluses, provisions or allocations that can be used for purchase of assets for the proposed project.
 2. **Union/ State Budget:** These will help identify schemes or provisions for capital investments within sanitation projects for the state.
 3. **Section II of this toolkit:** This tool builds on the information collected by the ULB in Section II of the toolkit, where sources of funding for the ULB are identified.
 4. **Section III of this toolkit:** This tool builds on the information collected by the ULB in Section III of the toolkit, where private players were assessed for PSP in IFSM projects. The information from Tool 2 (Private Player Assessment) will serve as key inputs for using this checklist.

Checklist

Checklist	Suction units	Septage Treatment Plant
1. Is the private contractor willing to invest in the capital asset?	<ul style="list-style-type: none"> • Yes • No 	<ul style="list-style-type: none"> • Yes • No
2. If No,		
<ul style="list-style-type: none"> • What is the key reason for their unwillingness? 	<ul style="list-style-type: none"> • Lack of financial resources • Inherent risks from ownership of asset (such lack of exit options) • Others • All of the above • Not applicable 	<ul style="list-style-type: none"> • Lack of financial resources • Inherent risks from ownership of asset (such lack of exit options) • Others • All of the above • Not applicable
<ul style="list-style-type: none"> • If the reason is lack of financial resources, can support from the ULB help the contractor consider capital investment? 	<ul style="list-style-type: none"> • Yes • No • Not applicable 	<ul style="list-style-type: none"> • Yes • No • Not applicable
<ul style="list-style-type: none"> • If the reason is inherent risks, will support from the ULB (e.g. by agreeing to pay for the asset in case of early termination), help them consider capital investment? 	<ul style="list-style-type: none"> • Yes • No • Not applicable 	<ul style="list-style-type: none"> • Yes • No • Not applicable
3. Can the ULB afford to pay for the asset?	<ul style="list-style-type: none"> • Yes • No • Not applicable 	<ul style="list-style-type: none"> • Yes • No • Not applicable
<ul style="list-style-type: none"> • Is there an internal budget / or provision for making capital investment for IFSM or sanitation related projects? 	<ul style="list-style-type: none"> • Yes • No • Not applicable 	<ul style="list-style-type: none"> • Yes • No • Not applicable
<ul style="list-style-type: none"> • Can the budget for this asset be approved through a special request to the relevant ministry/ institution? 	<ul style="list-style-type: none"> • Yes • No • Not applicable 	<ul style="list-style-type: none"> • Yes • No • Not applicable
<ul style="list-style-type: none"> • Can this money be raised from a central / state government loan or grant? 	<ul style="list-style-type: none"> • Yes • No • Not applicable 	<ul style="list-style-type: none"> • Yes • No • Not applicable
<ul style="list-style-type: none"> • Can this money be raised from external loans or grants? 	<ul style="list-style-type: none"> • Yes • No • Not applicable 	<ul style="list-style-type: none"> • Yes • No • Not applicable

Decision making:

1/ If the private contractor is willing to make the investment, they should go ahead and incur the capex

2/ If the private contractor is not willing to make the investment the ULB can provide minimum performance guarantee/ financial support to help cost-share the investment with the private contractor

3/ If the cost-sharing arrangement is not viable for the contractor, the ULB should make the capex investment as part of the project

Note: In most scenarios, the private contractor will be willing to invest in suction units, while the cost of the STPs would have to be borne by the ULB